

Sample

Mark-to-Market

Form 10.6(a)

Notification to Owner of Ineligibility as a Lite;

Transmittal of Form for Re-election under Housing Notice H 99-36

From: PAE

To: Owner

Transmission: Overnight Hard Copy

(date)

Project Name: _____

FHA Number: _____

Section 8 HAP Contract Number: _____

REMS ID Number: _____

Dear Owner:

This letter confirms the information provided to you [by telephone call, in our meeting] of [insert date]. You requested processing of the subject transaction as a Lite (rent restructuring without debt restructuring), under Housing Notice H 99-36 (or a prior notice). Based on our review to date, we have concluded that this transaction cannot be approved as a Lite. We have tentatively determined the following market rents:

1BR \$ _____

2BR \$ _____

3BR \$ _____

4BR \$ _____

[Insert other unit sizes if necessary]

With these rents and the expenses, including our estimate of the deposits to the reserve for replacements, we conclude that the Debt Service Coverage Ratio (DSCR) on the existing debt would be [Insert DSCR], which makes the property ineligible as a Lite.

In order to maintain the Section 8 HAP Contract and a financially sound property with OMHAR-approved market rents, you would need to elect processing as a Full Debt Restructuring. We have enclosed the election form for your convenience.

If you choose to revise your election, please send the original to:

HUD Project Manager

Address

Address

Please send a copy to us also so that we can begin processing your transaction as a Full Debt Restructuring as soon as possible.

APPEAL PROCESS: If you believe that the transaction can be approved as a Lite, or that the tentatively determined rents listed above are inappropriate, you have 20 business days from the date of this notification to submit your appeal with clear and convincing supporting documentation to:

OMHAR Regional Office Director

Address

Address

A copy should also be sent to us.

Your appeal should specifically address your disagreement with these conclusions, including the conclusion regarding market rents (i.e., comparables, adjustments). The OMHAR Regional Office will review your appeal and respond within 10 business days. If the appeal affirms that your transaction cannot be approved as a Lite, you may then follow the procedures above and change your election.

If you do not change your election within 20 business days, or you do not appeal within 20 business days, or if you appeal and are notified that your appeal has been rejected and you do not change your election in 5 business days thereafter, we will complete the determination of comparable market rents and a new, revised Section 8 HAP Contract will be sent to you for execution which reflects these market rents. HUD may elect to renew the contract at these rents, but reserves the right to issue tenant-based assistance (vouchers) to the tenants in the property in the face of immediate questions of viability. If tenant-based assistance to the tenants is required, the HUD Project Manager will provide you with a short-term renewal in order to comply with the one-year notice requirements to tenants and/or to provide sufficient time to process tenant vouchers. If the contract is renewed, you will be placed on a special watch list going forward. As a result, special inspections or monthly submissions of financial statements may be required.

If you have any questions about this transaction, or wish to receive the materials on which the above determination is based, please do not hesitate to contact [insert PAE contact name] at [insert phone]. Upon request, the Physical Conditions Assessment, the Market Study/Limited Scope Appraisal, the draft income and expense spreadsheet, and our explanation for the selection of market rents can be provided to you by overnight mail.

Sincerely,

PAE

cc: HUD Project Manager
Section 8 Contract Administrator
OMHAR Regional Office

Enclosed: H 99-36 Election Form